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C O N F I D E N T I A L BAGHDAD 002686

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SUBJECT: IRAQ OIL: EXXONMOBIL AGGRESSIVELY PURSUING WEST
QURNA FIELD

REF: BAGHDAD 2299

Classified By: Economic Counselor John Carwile
for reasons 1.4 (b) & (d)

¶1. (C) Deputy Oil Minister for Midstream Shamma told econoffs that ExxonMobil--which unsuccessfully bid on the West Qurna oil field in Iraq's June 30 bid round--has agreed to accept the Oil Ministry's low remuneration fee and enter negotiations for the production service contract for West Qurna. Shamma did not disclose the fee or whether Royal Dutch Shell (a 20 percent partner with ExxonMobil in the June 30 bid) would be ExxonMobil's partner. We believe, however, that the fee will be--or very near--the \$1.90 per barrel fee that the Oil Ministry offered during the June bid round. In its June 30 bid, ExxonMobil/Shell committed to raise West Qurna's production by 2 million barrels per day (over 700 percent) over 7 years.

¶2. (C) Shamma also confirmed that the Oil Ministry believes negotiations with British Petroleum (BP)/China National Petroleum Corporation (CNPC) for the production service contract for the North and South Rumaila oil-field group--the only field awarded during the June 30 bid round--are finished, and the final draft of the contract will be ready very soon.

¶3. (C) Comment: If BP/CNPC achieves a production-increase commitment of 1.8 million barrels per day from Rumaila and ExxonMobil achieves a production-increase commitment of 2 million barrels per day, Iraq's current oil production would increase by 150 percent over the next 7 years, to about 6.3 million barrels per day.

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